

**AGENDA ITEM 4
RESOLUTION OF REAL ESTATE AUDIT FINDINGS
PRIOR FISCAL YEARS
AS OF JUNE 30, 2005**

Partner/Property	Auditor's Finding and Recommendation	Status per Investment Office	Auditor Comment
<p>Miller Capital Advisory, Inc.</p> <p>Project Level</p> <p>The Fashion Center at Pentagon City – Simon Property Group</p>	<p>1. Exhibit B of the Shopping Center Management Agreement provides for 19 different fees or reimbursements to be paid the Manager. Most of these fees are defined as percentages of a definitive number or are flat amounts and thus subject to limitations. We noted however that three of these fees are based on the "cost of services." We noted that the agreement does not clearly define what is to be included in the "costs of services." The three fees in question are defined in Exhibit B as follows:</p> <p style="padding-left: 40px;">Purchasing Retail marketing Property management consulting.</p> <p>For the year 2002, Simon charged \$230,869 for these three fees. We were informed that this amount was an allocation of home office salaries and travel expenses, but specific support regarding personnel and travel costs was not given to us.</p> <p>The Auditor recommends that the agreement be amended to include a definition of the exact costs that are to be included in the "cost of services." This definition should include job titles of personnel to be allocated.</p> <p>In addition, the Auditor believes that a dollar or percent limitation should be placed on these fees since they are currently open ended. The Auditor also believes that Simon should retain support for the cost included in these fee allocations.</p>	<p>1. Simon has no problem with amending the agreement to satisfy the basic concerns expressed in the Recommendation.</p> <p>INVO: MCA and Simon are finalizing a letter agreement amendment for execution.</p>	<p>1. PENDING: Pending execution of the proposed amendment, Auditor concurs with the corrective action to be taken by Simon.</p>

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Miller Capital Advisory, Inc. Project Level The Mall at Rockingham Park – Simon Property Group	<p>4. Simon has a national gift certificate program. Under this program, a customer may purchase a gift certificate at any Simon managed mall and use the certificate in any store in any Simon managed mall. Simon manages this program by depositing all gift certificate sales proceeds into a central bank account for all malls and reimbursing the tenant stores from this central bank account upon cashing of the certificates. This program generates two types of income:</p> <p style="padding-left: 40px;">A material bank account balance in the gift certificate account on which interest could be earned.</p> <p style="padding-left: 40px;">Income from unredeemed gift certificates.</p> <p>Simon retains the income noted above and does not credit it back to the malls which generate the sales of the certificates. During the period of November 1, 2001 through October 1, 2002, \$5.3 million of gift certificates were sold at the Rockingham Park project.</p> <p>The Auditor recommends that gift certificate cash sales be tracked by mall and the projects be given credit for their share of interest earned as well as income earned from unredeemed gift certificates.</p>	<p>4. Simon's Gift Certificate Program is a national program that is provided through the auspices of Simon Brand Ventures (a wholly owned affiliate of Simon Property Group) and Simon's Corporate Marketing Department. Similar to the individual mall marketing programs, Simon Brand Ventures and Simon's Corporate Marketing Department have numerous programs, some of which (the Gift Certificate Program included) generate revenues utilized to offset the costs of the entire program. Simon Brand Ventures and Simon's Corporate Marketing Department effectively subsidize the individual mall marketing programs by, among other things, reducing costs associated with the creation and placement of advertising through efficiencies of scale, through the various programs and on-mall shows, and through the revenues generated by these programs.</p> <p>It should also be noted that, while Simon Brand Ventures and Simon's Corporate Marketing Department retain almost all of the revenues from these programs, Simon Brand Ventures and Simon's Corporate Marketing Department also absorb all the costs and risks associated with these programs. There are also significant risks inherent in the programs (e.g., fraud, theft, etc.) which are absorbed entirely by Simon Brand Ventures.</p>	<p>4. PENDING. Simon is providing a separate income statement for the gift certificate program which supports the claim that it generates a loss. This statement is to be reviewed by the Advisor, Miller Capital, to determine if a loss is truly being incurred.</p>

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<p>Miller Capital Advisory, Inc.</p> <p>Project Level</p> <p>The Mall at Rockingham Park – Simon Property Group</p>		<p>4. Simon's Gift Certificate Program (Cont.-1): and Simon's Corporate Marketing Department rather than spread among the individual properties.</p> <p>In short, the Gift Certificate Program provides significant benefits to Ownership, a direct allocation of revenues and costs associated with that program would yield a net actual cost to Ownership. Because this program is part of Simon's Corporate Marketing Program, those net costs are absorbed within the context of the entire national marketing effort which, in turn, subsidizes the local marketing efforts.</p> <p>Rockingham's participation in the Simon Brand Ventures and Simon's Corporate Marketing Department means that it has effectively been allocated a share of the revenues in question.</p> <p>MCA to review information to be provided by Simon.</p>	

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Capri Capital Management, LLC General Partner Level	<p>1. (II-A) The Auditor noted that Capri did not have written procedures documenting their information technology disaster recovery and business resumption plan.</p> <p>Subsequent to audit fieldwork, the Auditor received a summary of Capri's safety measures established regarding data protection and recovery procedures in the event of a disaster. The completion of Capri's Management Information System (MIS) Contingency Plan Disaster Recovery Manual was currently in progress.</p> <p>Recommendation</p> <p>The Auditor recommended that Capri complete and distribute the Management Information System Contingency Plan Disaster Recovery Manual to key personnel within the company.</p> <p>A completed Disaster Recovery Manual specifying the preparations prior to a disaster and the procedures to be completed by key personnel immediately thereafter are critical to the success of Capri's recovery from such an event.</p>	<p>1. (II-A) Capri Capital Management, LLC response, "Please note that Capri's MIS Contingency Plan Disaster Recovery Manual (the "Plan") that was submitted to Conrad and Associates (via e-mail correspondence on January 6) is in draft form. Capri's MIS Department will engage Strohl Systems to provide a business impact analysis, and a final Plan will be distributed to key personnel within the company."</p> <p>INVO: Capri has implemented disaster recovery procedures including redundancy in their computer systems with servers at multiple locations.</p> <p>Although disaster recovery procedures have been implemented, work on the Disaster Recovery Manual is not expected to be completed until mid-2005.</p>	<p>1. (II-A) PENDING: The Auditor concurred with Capri's planned corrective action.</p>

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